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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000096

SIPDIS

STATE PASS AIT/W

E.O. 12958: DECL: 01/11/2015

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SUBJECT: IT'S POLITICS FIRST AS TAIWAN DRAGS ITS FEET ON
CHARTER FLIGHTS

Classified By: AIT Director Douglas H. Paal. Reason: 1.4 (B,D)

Taipei 00043

1. (C) In response to the high-profile visit by opposition Kuomintang (KMT) leaders to Beijing over the last few days to discuss cross-strait relations with the Chinese Taiwan Affairs Office (TAO), and the announcement of an understanding on direct Taiwan-China flights during the Chinese New Year, the Taiwan Government is running hard to catch up and regain the lead on cross-strait negotiations. Taiwan government officials dismiss the KMT visit as useless and call for a "second round" of China-Taiwan charter flight negotiations based on a "first round" reportedly held last Friday in Macao. Taiwan, however, insists that future negotiations must include Taiwan government officials, otherwise Taiwan will fall back to "Plan B" -- resurrecting the Spring 2003 modus operandi by which Taiwan airlines applied for, and received, permission to fly charter flights to Mainland Chinese cities.

2. (C) Taiwan's Mainland Affairs Council (MAC) Vice Chairman Chiu Tai-san announced at a press conference on January 10 that Taiwan and Mainland China representatives had met last Friday, January 7, in Macao to negotiate on cross-strait charter flights around the Chinese New Year, February 9. The negotiations, he said, were based on the three principals of two-way, reciprocal, and direct (non-stopover) flights. He expressed the hope that a "second round" of bilateral discussions would be held "as soon as possible," which should be based on the "2002 Hong Kong model" by which Hong Kong and Taiwan had worked out a flight agreement. The rest of the day, MAC officials remained incommunicado and unresponsive to AIT queries because, as one MAC staffer candidly told us, they were "sitting in front of the television" watching reports from Beijing of the KMT delegation visit.

3. (C) MAC Chairman Joseph Wu told AIT on January 11 that the Taiwan government had authorized Taipei Airlines Association (TAA) Chairman Michael Lo to present its charter flight proposal on air routes, number of flights, airline companies, airports, and security issues to Chinese representatives in Macao. The Chinese side responded, he said, that they would study the Taiwan proposals. Wu hailed the Macao talks as "a significant step forward" because Chinese officials had met directly with Taiwan government officials in the TAA delegation, indicating that China will now meet with Taiwan government officials. Future negotiations, which he termed the "second round," must proceed on the basis of the 2002 "Hong Kong model" (the negotiations between Hong Kong and Taiwan on reciprocal air services. TAA can lead the delegation "as a front for government officials" in the delegation.

4. (C) Wu insisted that the KMT negotiations in Beijing meant "nothing at all." Taiwan is working to ensure that the Chinese side will talk directly with Taiwan officials, but the KMT undermined that effort, he lamented bitterly, by publicly stating there was no need for government officials to be involved and even that there was, in fact, no need for negotiations. The Chinese offer to expand the number of airports for direct charter flights to include Taichung, moreover, was "fake," he argued, because China knew full well this was a non-starter for security reasons (Note: presumably the large Taiwan Air Force base in Taichung. End Note). Rather, China must negotiate directly with Taiwan based on the Hong Kong model, otherwise Taiwan will fall back on "Plan B," using the Chinese New Year 2003 model in which only Taiwan air carriers flew to the mainland.

5. (C) Comment. With the Monday meeting between the KMT delegation led by LY members Tseng Yung-chuan and Chang Hsiao-yen and PRC officials, the next move is clearly Taiwan's, specifically Taiwan's DPP government. Some technical considerations remain to be worked out, including whether or not the flights will have to pass through a third territory's airspace, the participation of Chinese airlines, and whether passengers will be restricted to Taiwan businesspeople in the PRC. But the key issue comes down to a single question -- how badly does the DPP want to negotiate these details in formal meetings that include government

officials?

16. (C) Beijing and the KMT delegation have forced the DPP government,s hand by offering charter flights that meet most of both sides, demands. However, the PRC is prepared to move forward based only on consultations between Taiwan and PRC airline associations that would exclude officials. The Taiwan government had tried to keep the upper hand by maneuvering the PRC into a position where it would have to turn down Taiwan,s offer for charter flights after bilateral consultations or accept Taiwan's "officiality," but appears to have been outmaneuvered itself.

17. (C) The cross-Strait charter flights have become totally enmeshed in Taiwan,s post-election domestic politics between the DPP and its main opposition party, the KMT. The DPP government is between a rock and a hard place. If it accepts the PRC-KMT offer, it will forego what now appears to be one of the primary political goals of the charter flight exercise -- bilateral meetings between PRC and Taiwan officials (without official status, but with official sanction). It will also hand a major political victory to the KMT, which will be able to claim credit for the flights and cast the DPP as a party unable to improve cross-Strait relations. If the government turns down the offer, it will help the KMT portray the DPP as the cause of increasing cross-Strait tension. The pro-independence TSU has been highly critical of the KMT move bypassing the government, but with the prospects of successful charter flights this criticism may not resonate with Taiwan,s political center.

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